



## **CITY OF HAYWARD**

### **AGENDA REPORT**

AGENDA DATE 01/16/01

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM WS#4

**TO:** Mayor and City Council

**FROM:** City Attorney

**SUBJECT:** Review of Mobilehome Rent Stabilization Ordinance

#### **RECOMMENDATION**

It is recommended that the City Council review and comment on the attached report regarding the Mobilehome Rent Stabilization Ordinance.

#### **BACKGROUND:**

In 1996, the City Council adopted various amendments to the Mobilehome Rent Stabilization Ordinance that included a provision that the effectiveness of the ordinance be reviewed on or before January 25, 2001. The following report provides a summary of the activity in Mobilehome Rent Stabilization Program during the past five (5) years and discusses an area of growing concern regarding "Capital Improvement" charges at the parks.

#### **OVERALL EFFECTIVENESS OF ORDINANCE:**

Since the adoption of the Mobilehome Rent Stabilization Ordinance ("Ordinance") in 1989, rent increases for mobilehome spaces in the City of Hayward have been limited to the greater of three percent (3%) or sixty percent (60%) of the percent change in the consumer price index ("C.P.I."). The Ordinance further provides that no rent increase may exceed six percent (6%) in any one year regardless of the change in the C.P.I.

While the City does not track the rents of individual mobilehome spaces in the City, we do monitor the number of rent petitions, calls regarding rent increases, and the general rental climate in the area as indicators of the effectiveness of Hayward's Ordinance. Specifically, we have only received four petitions from mobilehome residents during the five years since the last amendments to the Ordinance. Three of those four petitions involve capital improvement pass

through issues rather than general rental increases. Calls to our Rent Stabilization Office regarding escalating rents in mobilehome parks represent less than one percent (1%) of the calls we receive. Conversely, more than ninety-nine percent (99%) of the complaints regarding skyrocketing rents come from the Residential Rent Control area where the State of California has preempted much of our local control. Finally, mobilehome renters in cities whose rent programs are not as comprehensive as Hayward's have been more effected by the hot real estate market and soaring rents. In Santa Cruz, for example, one park experienced an increase of four hundred percent (400%) in space rents in a single year. Considering the small number of petitions relating to rents, the lack of citizen complaints, and the absence of anecdotal evidence of skyrocketing rents, it appears that the Hayward Rent Stabilization Ordinance has been effective in maintaining stable mobilehome space rents in the City.

### **RENTAL PETITIONS:**

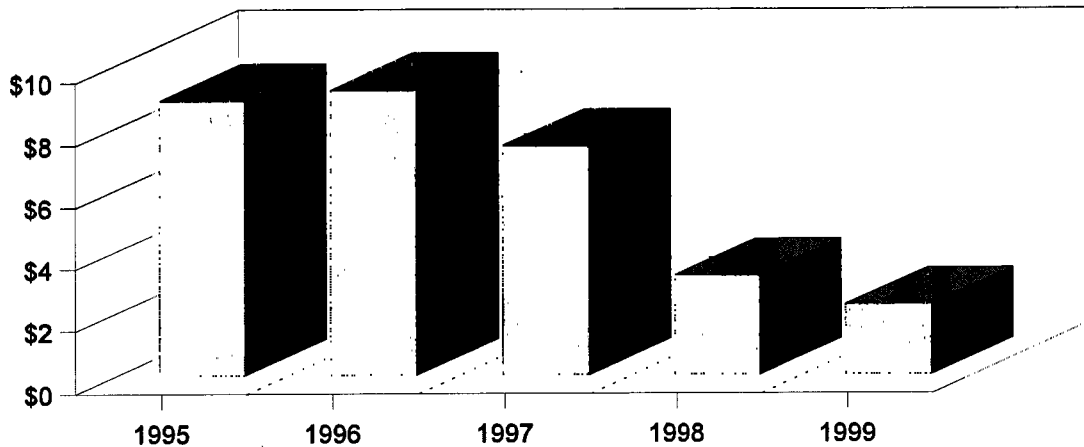
There has been relatively little activity during the past five years. Since the date of the last amendments to the Ordinance in 1996, there have been four mobilehome rent petitions filed. Our records indicate that two were filed in 1996 and two were filed in 2000. Of significant note, however, is that three of the four petitions received by the City involved capital improvement pass through charges. The following is a list of mobilehome rent petition applications processed by the Rent Stabilization Office since February of 1996:

10/10/96	Spanish Ranch II
12/19/96	Pueblo Springs - Capital Improvement Pass-Through
05/26/00	Pueblo Springs - Capital Improvement Pass-Through
10/12/00	New England Village - Capital Improvement Pass-Through

### **RENTAL FEES:**

Pursuant to the Council's direction in 1995, the City has absorbed the majority of the administrative costs for managing the City's Rent Stabilization Programs. The Council's decision has allowed the City to operate the program while keeping the annual fees at a nominal rate for mobilehome and park owners. In 1999 for example, the monthly fee per mobilehome space dropped to slightly under ten cents with an annual fee of \$1.13. As you will note from the following graphic representation of the five-year history of Mobilehome Stabilization Fees, the fees have been cut by nearly two-thirds since 1996. The drop in fees is due to the following two factors: 1) the Council's decision to have the City absorb the majority of the administrative costs attributable to the program and 2) the relatively small amount of activity generated by the program during the past five years.

## Mobilehome Rent Stabilization Fees



### CAPITAL IMPROVEMENT PASS THROUGH:

In the *Sierra Lakes* and *Rohnert Park* cases, decided in 1991 and 1996 respectively, mobilehome park owners have successfully adjudicated their rights to receive a "fair return" on their investments when making capital improvements that extend the life of an asset in the park. Consistent with these decisions, Hayward's Ordinance allows a park owner to pass through the cost of necessary capital improvements without the consent of the majority of the mobilehome park residents. Necessary capital improvements are defined as those required to maintain the common facilities and areas of the park in a decent, safe, and sanitary condition or to maintain the existing level of park amenities and services. During the last several years the majority of the petitions received by the Rent Stabilization Office have involved disputes over what is an allowable pass-through for a capital improvement. For example, one petition involved a dispute over whether a particular type of street overlay was maintenance or a necessary capital improvement.

The current structure of the Mobilehome Ordinance contains a disincentive for park owners to accumulate reserves to provide a source of funding to cover the above-discussed improvements. To wit, the Ordinance allows pass through of capital improvement costs that are in excess of reserve funds. Hence, if you have no reserves funds, you can apparently pass through the entire cost of the necessary improvement. On the other hand, if you have reserves the portion of the improvement costs covered by those reserves may not be passed through to the residents. As a result, we have been informed that the parks in Hayward do not reserve funds for needed capital improvements.

Considering the age of many of the parks, and the lack of adequate reserve policies by the park owners, we anticipate that this will be an ongoing area of concern when major improvements to the electrical, water and sewer systems are needed in the future.

## **COMMUNITY INVOLVEMENT AND MODIFICATION TO THE MOBILEHOME ORDINANCE:**

On January 3, 2001, the Rent Stabilization Office received a petition from Bob Billmire, a member of the HMOA Ordinance Review Committee, urging the Council to deny any amendments to the Ordinance that would increase the financial burden on park residents. In addition, we have received inquiries from other members of the mobilehome community who desire input into any proposed changes to the Mobilehome Rent Stabilization Ordinance.

As discussed above, we have identified the capital improvement issue as a long-term concern facing both the park owners and residents. As we undertake a review of this issue, it is likely that additional useful modifications to the Ordinance may become apparent. Since the City, residents, and park owners share the common interest of maintaining the City's mobilehome parks as safe, sanitary, affordable and profitable housing, it is our plan to conduct a series of meetings with all interested parties in the Spring. After a thorough review of potential modifications to the Mobilehome Ordinance, we are hopeful of bringing back the proposals to the City Council before the end of the year.

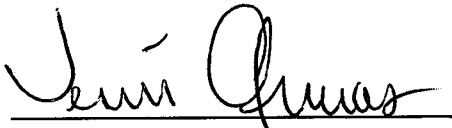
## **CONCLUSION:**

In conclusion, during the past five years the City's Rent Stabilization Ordinance has been effective in maintaining stable mobilehome space rents in the City. Therefore, no immediate modifications to the Ordinance are recommended. Staff will work with the interested parties during the next year to address the ongoing capital improvement pass-through issue as well as other issues that may arise in the course of our meetings with the park and coach owners.

Approved by:



Michael J. O'Toole, City Attorney



Jesús Armas, City Manager